

**ALBA PUBLIC SCHOOL
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

August 22, 2007

Board of Education
Alba Public School
Alba, Michigan 49646

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alba Public School's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 22, 2007 on my consideration of Alba Public School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 24 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alba Public School's basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, based on my audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." in a cursive script.

THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ALBA PUBLIC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Alba Public School District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2007. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Alba Public School District exceeded its liabilities at the close of the most recent fiscal year by \$996,182 (net assets).

The district's total net assets increased by \$116,476 in the 2006/07 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$534,321.

USING THE ANNUAL REPORT

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a comparative summary of the District's net assets as of June 30, 2007 and 2006

TABLE 1

Governmental Activities

	<u>6/30/07</u>	<u>6/30/06</u>
<u>ASSETS</u>		
Current assets	\$ 900,443	\$ 921,290
Noncurrent assets	<u>2,904,770</u>	<u>2,960,451</u>
TOTAL ASSETS	<u>\$ 3,805,213</u>	<u>\$ 3,881,741</u>
<u>LIABILITIES</u>		
Current liabilities	\$ 389,031	\$ 404,993
Noncurrent liabilities	<u>2,420,000</u>	<u>2,610,000</u>
TOTAL LIABILITIES	<u>\$ 2,809,031</u>	<u>\$ 3,014,993</u>
<u>NET ASSETS</u>		
Investment in Capital Assets— Net of Related Debt	\$ 384,770	\$ 247,851
Restricted	117,564	229,101
Unrestricted	<u>493,848</u>	<u>389,796</u>
TOTAL NET ASSETS	<u>\$ 996,182</u>	<u>\$ 866,748</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2007 and 2006.

TABLE 2

Governmental Activities

	<u>6/30/07</u>	<u>6/30/06</u>
<u>REVENUE</u>		
Program revenue:		
Charges for services	\$ 28,322	\$ 25,222
Operating grants/contributions	348,499	295,027
General revenue:		
Property taxes	856,039	809,373
State School Aid	1,049,907	981,521
Other	<u>39,568</u>	<u>67,882</u>
TOTAL REVENUE	<u>\$ 2,322,335</u>	<u>\$ 2,179,025</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>6/30/07</u>	<u>6/30/06</u>
<u>FUNCTIONS/PROGRAM EXPENSES</u>		
Instruction	\$ 1,212,158	\$ 1,073,749
Supporting services	679,643	577,115
Athletics	29,286	25,930
Food services	104,678	94,435
Transfers to locals and others	<u>180,094</u>	<u>242,944</u>
 TOTAL EXPENSES	 <u>2,205,859</u>	 <u>2,014,173</u>
 INCREASE (DECREASE) IN NET ASSETS	 <u>\$ 116,476</u>	 <u>\$ 164,852</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$2,205,859. While \$856,039 in revenue was generated directly from local taxpayers, another \$28,322 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$348,499 to the district. The district received \$1,049,907 in state education funding and \$39,568 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2007 increased by approximately \$116,476.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance to Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2006/07 the District amended the budgets of these major governmental funds once. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget will change significantly from the beginning to the end of the year.

General Fund

The General Fund revenues exceeded expenditures in the past year of operations by \$94,169. The District had been reducing staff through attrition and also received additional funding from the ISD. In anticipation of the state education budget crises, the district also made cuts in all operational areas in previous years but restored some of those cuts due to the increase in funding resulting from the increased student count and operational efficiencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated depreciation of \$1,200,493 and \$1,110,582 as of June 30, 2007 and 2006 respectively. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$55,681 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Alba Public School District Capital Assets

	<u>6/30/07</u>	<u>6/30/06</u>
Land	\$ 19,000	\$ 19,000
Buildings and Improvements	3,377,596	3,361,846
Vehicles	158,306	158,306
Equipment & Furniture	<u>550,361</u>	<u>531,881</u>
TOTAL CAPITAL ASSETS(at cost)	<u>\$ 4,086,263</u>	<u>\$ 4,052,033</u>

Long Term Debt

The District currently owes \$2,520,000 in bonded debt. These bonds are repaid through a voted millage over the next 17 years.

During the 2006/07 fiscal year the District advance refunded the 1998 bonds which created a net present value savings of \$95,474 over the life of the bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alba Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Alba Public School District, PO Box 10, Alba, MI 49611

**ALBA PUBLIC SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
ASSETS	
Cash demand and time deposits	\$ 590,218
Receivables	
Accounts	3,336
Other governments	261,541
Inventory	2,268
Prepaid expenses	43,080
Capital assets	
Land	19,000
Other capital assets, net of depreciation	<u>2,885,770</u>
 TOTAL ASSETS	 <u>3,805,213</u>
 LIABILITIES	
Account payable	127,694
Accrued liabilities	145,566
Deferred revenue	15,771
Noncurrent liabilities:	
Due within one year	100,000
Due in more than one year	<u>2,420,000</u>
 TOTAL LIABILITIES	 <u>2,809,031</u>
 NET ASSETS	
Invested in capital assets, net of related debt	384,770
Restricted for:	
Debt Service	92,721
Food Service	24,843
Unrestricted	<u>493,848</u>
 TOTAL NET ASSETS	 <u>\$ 996,182</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Primary Government				
Governmental Activities				
Instruction	\$ 1,212,158	\$ -	\$ 160,884	\$ (1,051,274)
Support Services	679,643	-	98,699	(580,944)
Athletics	29,286	4,960	-	(24,326)
Food Service	104,678	23,362	88,916	7,600
Interest on Debt	<u>180,094</u>	<u>-</u>	<u>-</u>	<u>(180,094)</u>
Total Governmental Activities	<u>\$ 2,205,859</u>	<u>\$ 28,322</u>	<u>\$ 348,499</u>	<u>(1,829,038)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				602,743
Property taxes, levied for debt services				225,537
Property taxes, levied for sinking fund				27,759
State aid not restricted to specific purposes				1,049,907
Interest and investment earnings				13,523
Miscellaneous revenue				<u>26,045</u>
Total property taxes and general revenues				<u>1,945,514</u>
Change in net assets				116,476
Net assets, beginning of year				<u>879,706</u>
as restated (see note 10)				
Net assets, end of year				\$ 996,182

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	GENERAL FUND	1998 DEBT RETIREMENT	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ 466,556	\$ 75,687	\$ 47,975	\$ 590,218
Receivables				
Accounts	1,136	2,200	-	3,336
Inventory	-	-	2,268	2,268
Prepaid Expenses	26,461	16,619	-	43,080
Due From Other Funds	49,500	-	1,785	51,285
Due From Other Governmental Units	260,754	-	787	261,541
	<u>260,754</u>	<u>-</u>	<u>787</u>	<u>261,541</u>
TOTAL ASSETS	<u>\$ 804,407</u>	<u>\$ 94,506</u>	<u>\$ 52,815</u>	<u>\$ 951,728</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 127,694	\$ -	\$ -	\$ 127,694
Accrued Liabilities	126,621	-	-	126,621
Due to Other Funds	-	1,785	49,500	51,285
Due to Other Governmental Units	-	-	-	-
Deferred Revenue	15,771	-	-	15,771
	<u>15,771</u>	<u>-</u>	<u>-</u>	<u>15,771</u>
TOTAL LIABILITIES	<u>270,086</u>	<u>1,785</u>	<u>49,500</u>	<u>321,371</u>
FUND BALANCES				
Reserved	-	92,721	3,315	96,036
Unreserved	534,321	-	-	534,321
	<u>534,321</u>	<u>-</u>	<u>-</u>	<u>534,321</u>
TOTAL FUND BALANCES	<u>534,321</u>	<u>92,721</u>	<u>3,315</u>	<u>630,357</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 804,407</u>	<u>\$ 94,506</u>	<u>\$ 52,815</u>	<u>\$ 951,728</u>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
JUNE 30, 2007

Fund Balances - Total Governmental Funds	\$ 630,357
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets - at Cost	4,105,263
Accumulated Depreciation	(1,200,493)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds Payable - 1998	(205,000)
Bonds Payable - 2007	(2,315,000)
Accrued interest payable is not included as a liability in the governmental funds	<u>(18,945)</u>
Net Assets of Governmental Activities	<u>\$ 996,182</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	GENERAL FUND	1998 DEBT RETIREMENT	OTHER FUNDS	TOTAL
REVENUES				
Local Sources	\$ 615,424	\$ 225,537	\$ 56,081	\$ 897,042
State Sources	1,203,610	-	7,863	1,211,473
Federal Sources	78,199	-	81,053	159,252
Interest Income	8,502	4,808	213	13,523
Other Revenue	41,045	-	-	41,045
	<u>1,946,780</u>	<u>230,345</u>	<u>145,210</u>	<u>2,322,335</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Instruction	1,148,820	-	-	1,148,820
Supporting Services	623,534	-	-	623,534
Athletic Events	-	-	29,286	29,286
Food Services	-	-	104,678	104,678
Capital Outlay	48,016	-	15,750	63,766
Debt Service:				
Principal	7,600	2,500,000	-	2,507,600
Interest and Other Charges	315	181,725	-	182,040
	<u>1,828,285</u>	<u>2,681,725</u>	<u>149,714</u>	<u>4,659,724</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	<u>118,495</u>	<u>(2,451,380)</u>	<u>(4,504)</u>	<u>(2,337,389)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding of Debt	-	2,315,000	-	2,315,000
Transfers In	-	-	24,326	24,326
Transfers (Out)	(24,326)	-	-	(24,326)
	<u>(24,326)</u>	<u>2,315,000</u>	<u>24,326</u>	<u>2,315,000</u>
TOTAL OTHER FINANCING SOURCES (USES)				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	94,169	(136,380)	19,822	(22,389)
FUND BALANCES, BEGINNING OF YEAR as restated (see note 10)	<u>440,152</u>	<u>229,101</u>	<u>(16,507)</u>	<u>652,746</u>
FUND BALANCES, END OF YEAR	<u>\$ 534,321</u>	<u>\$ 92,721</u>	<u>\$ 3,315</u>	<u>\$ 630,357</u>

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(22,389)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay		63,766
Deduct - Depreciation Expense		(119,447)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.

Add - Principal payment on bus		7,600
Add - Principal Payments on Long-term Liabilities - bonds		2,500,000
Deduct - Proceeds for refunding of debt		(2,315,000)
Add - Decrease in Accrued Interest Payable		<u>1,946</u>

Change in Net Assets of governmental activities	\$	<u>116,476</u>
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See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
JUNE 30, 2007**

	<u>ASSETS</u>	
Cash		\$ 40,342
	<u>TOTAL ASSETS</u>	<u>\$ 40,342</u>
	<u>LIABILITIES</u>	
Due to Student Groups		\$ 40,342
	<u>TOTAL LIABILITIES</u>	<u>\$ 40,342</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Alba Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

REPORTING ENTITY

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

1998 Debt Retirement Fund – The 1998 Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletic Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory received by the Food Service Fund is recorded as an asset.

Restricted Assets – The fund balance in the 1998/2007 debt service fund is shown as a restricted fund balance. This balance can only be used to service the 1998/2007 debt.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-20 years

Long-Term Obligations – In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations in Budgeted Funds - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Secondary	\$ 472,436	\$ 485,132	\$ (12,696)
Preschool	\$ 65,565	\$ 68,150	\$ (2,585)
At Risk	\$ 62,812	\$ 63,037	\$ (225)
Other	\$ 15,638	\$ 17,155	\$ (1,517)
Capital Outlay	\$ 39,000	\$ 48,016	\$ (9,016)
Executive Administration	\$ 231,717	\$ 242,268	\$ (10,551)
Principal	\$ -0-	\$ 7,600	\$ (7,600)
Transfer Out Athletics	\$ 24,090	\$ 24,326	\$ (236)
Special Revenue:			
Athletic	\$ 29,050	\$ 29,286	\$ (236)
Food Service	\$ 93,200	\$ 104,678	\$ (11,478)

NOTE 3 - CASH AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Total</u>
Government Activities	\$ 100	\$ 590,118	\$ 590,218
Agency Funds	-	40,342	40,342
	<u>\$ 100</u>	<u>\$ 630,460</u>	<u>\$ 630,560</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$630,460 and the bank balance was \$576,033 was classified as to risk as follows.

Insured	\$ 284,220
Uninsured – Uncollateralized	346,340
	<u>\$ 630,460</u>

Investments – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority. There were no investments at June 30, 2007.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no investments at June 30, 2007.

Interest Rate Risk

The School District has not adopted a policy that indicates how the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. There were no investments at June 30, 2007.

Concentration of Credit Risk

The School District has not adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There were no investments at June 30, 2007.

Custodial Credit Risk

The School District has not adopted a policy that indicates how the District will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. There were no investments at June 30, 2007.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Receivables				
Other Receivables	\$ 1,136	\$ 2,200	\$ -0-	\$ 3,336
State of Michigan	<u>260,754</u>	<u>\$ -0-</u>	<u>787</u>	<u>261,541</u>
Net Receivables	<u>\$ 261,890</u>	<u>\$ 2,200</u>	<u>\$ 787</u>	<u>\$ 264,877</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of grant and categorical aid payments received prior to meeting all eligibility requirements and other items totaling \$15,771.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Building and building improvements	3,361,846	15,750	-	3,377,596
Buses and other vehicles	158,306	-	-	158,306
Furniture and equipment	531,881	48,016	29,536	550,361
Subtotal	4,052,033	63,766	29,536	4,086,263
Accumulated depreciation:				
Building and building improvements	734,891	67,552	-	802,443
Buses and other vehicles	62,027	19,788	-	81,815
Furniture and equipment	313,664	32,107	29,536	316,235
Subtotal	1,110,582	119,447	29,536	1,200,493
Net capital assets being depreciated	2,941,451	(55,681)	-	2,885,770
Net governmental capital assets	\$ 2,960,451	\$ (55,681)	\$ -	\$ 2,904,770

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 63,338
Support services	56,109
Total	\$ 119,447

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/From Other Funds

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 49,500	Sinking Fund	\$ 49,500
Sinking Fund	1,785	Debt Service Fund	1,785
Total	\$ 51,285		\$ 51,285

<u>Transfers In/Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
General Fund	\$ -	\$ (24,326)	\$ (24,326)
Special Revenue:			
Athletics	24,326	0	24,326
Total	\$ 24,326	\$ (24,326)	\$ 0

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt obligations for the District for the Year ended June 30, 2007:

	<u>7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/07</u>	<u>One Year</u>
1998 Bonds Payable	\$2,705,000	\$ -0-	\$2,500,000	\$ 205,000	\$ 100,000
2007 Refunding Bonds	-0-	2,315,000	-0-	2,315,000	-0-
School bus Loan	7,600	-0-	7,600	-0-	-0-
	<u>\$ 2,712,600</u>	<u>\$2,315,000</u>	<u>\$2,507,600</u>	<u>\$2,520,000</u>	<u>\$ 100,000</u>

At June 30, 2007, the District's long-term debt consisted of the following issues:

1998 School building and site bonds due in annual installments of \$100,000 and \$105,000 with interest at 4.40% per annum	\$ 205,000
2007 Refunding bonds due in annual installments of \$110,000 to \$200,000 due beginning in 2009 with interest through May of 2024 at 3.75% to 3.95% per annum	<u>\$ 2,315,000</u>
	<u>\$ 2,520,000</u>

1998 BONDS

<u>Year Ended</u>	<u>Principal May 1</u>	<u>Interest Rate</u>	<u>Interest November 1</u>	<u>Interest May 1</u>
2008	100,000	4.40%	4,510	4,510
2009	<u>105,000</u>	4.40%	<u>2,310</u>	<u>2,310</u>
Total	<u>\$ 205,000</u>		<u>\$ 6,820</u>	<u>\$ 6,820</u>

2007 REFUNDING BONDS

<u>Year Ended</u>	<u>Principal May 1</u>	<u>Interest Rate</u>	<u>Interest November 1</u>	<u>Interest May 1</u>
2008	-	3.75%	52,243	44,358
2009	-	3.75%	44,358	44,358
2010	110,000	3.75%	44,358	44,358
2011	120,000	3.75%	42,295	42,295
2012	125,000	3.75%	40,045	40,045
2013-2017	705,000	3.75-3.80%	163,063	163,063
2018-2022	860,000	3.80-3.90%	90,295	90,295
2023-2024	<u>395,000</u>	3.95%	<u>11,750</u>	<u>11,750</u>
Total	<u>\$ 2,315,000</u>		<u>\$ 488,407</u>	<u>\$ 480,522</u>

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - LONG-TERM DEBT (CONTINUED)

During the year ended June 30, 2007 the District issued \$2,315,000 in general obligation bonds with an average interest rate of 3.82% to advance refund \$2,610,000 of outstanding debt with an average interest rate of 4.61%. The net proceeds after paying underwriting fees, insurance and other issuance costs of \$65,926, along with \$221,000 from the debt service fund were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded general obligation bonds. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the accompanying statement of net assets.

The District advance refunded the general obligation bonds to reduce its ongoing debt service costs by \$199,712 and obtained an economic gain (i.e. difference between the present value of the debt service payments on the old and new debt) of \$95,474.

The annual requirements to amortize all applicable debt outstanding as of June 30, 2007, including interest payments of \$982,569 are as follows:

Annual Debt Service Requirements:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 100,000	\$ 105,621	\$ 205,621
2009	105,000	93,336	198,336
2010	110,000	88,716	198,716
2011	120,000	84,590	204,590
2012	125,000	80,090	205,090
2013-2017	705,000	326,126	1,031,126
2018-2022	860,000	180,590	1,040,590
2023-2024	<u>395,000</u>	<u>23,500</u>	<u>418,500</u>
	<u>\$ 2,520,000</u>	<u>\$ 982,569</u>	<u>\$ 3,502,569</u>

NOTE 8 - RISK MANAGEMENT

The School District participates in the MASB-SEG Property and Casualty Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverages from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

The District has its general property insurance, liability insurance, vehicle insurance and workers compensation insurance with the Pool. The District makes annual contributions (premiums) to the Pool based on actuarial studies using historical data and insurance industry statistics. The premiums are paid out of the District general fund.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 - DEFINED BENEFIT PENSION PLAN

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 17.74% of participants salary to the System for the fiscal year ended 6/30/07, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$169,908, \$144,909, and \$119,369.

Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. These contributions are deducted from the retirees monthly pension. No additional contributions are required from the District on these post-employment benefits. The 17.74% noted above includes these costs.

NOTE 10 – RESTATEMENT OF NET ASSETS / FUND BALANCE

The District restated Net Assets and fund balances for two funds, for the reasons stated below, as follows:

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Net Assets Governmental Activities</u>
Fund Balance / Net Assets previously reported	\$ 393,444	\$ -0-	\$ 866,748
Correction to properly record 2005/06 Expenditures	33,750	(33,750)	-0-
Correction to properly record 2005/06 Receivable	<u>12,958</u>	<u>-0-</u>	<u>12,958</u>
Fund Balance / Net Assets as restated 6/30/06	<u>\$ 440,152</u>	<u>\$ (33,750)</u>	<u>\$ 879,706</u>

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 11 – SINKING FUND / DEFICIT FUND BALANCE

On May 2, 2006, the voters approved a sinking fund tax levy. The District is authorized to levy .5 mills for 5 years beginning with the 2006 tax levy. The board authorized repair/replacement of the gym roof as the first project. The cost of the project will approximate the first two year's tax levy. In the interim, the general fund has advanced the necessary funds to pay the contractor. This has created a deficit of \$21, 528 at June 30, 2007 in the sinking fund. This will be eliminated with the collection of the 2007 tax levy. During 2006/07 the tax levy raised \$27,759 in tax revenue for the sinking fund.

During the year ended June 30, 2007 the District spent \$15,750 to finish the gym roof project which is a qualifying expenditure under MCL 380.1212 of the Revised School Code.

REQUIRED SUPPLEMENTARY INFORMATION

**ALBA PUBLIC SCHOOL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 620,500	\$ 654,801	\$ 664,971	\$ 10,170
State Sources	1,113,212	1,191,723	1,203,610	11,887
Federal Sources	<u>79,586</u>	<u>76,830</u>	<u>78,199</u>	<u>1,369</u>
 TOTAL REVENUES	 <u>1,813,298</u>	 <u>1,923,354</u>	 <u>1,946,780</u>	 <u>23,426</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	935,539	959,993	946,867	13,126
Added Needs	225,936	204,591	201,953	2,638
Capital Outlay	-	39,000	48,016	(9,016)
 Support Services:				
Instructional Staff	7,890	16,700	13,835	2,865
General Administration	294,787	279,517	285,882	(6,365)
Business Services	61,100	61,100	49,617	11,483
Maintenance	207,150	207,950	190,258	17,692
Transportation	79,250	95,657	83,942	11,715
Other Business Services	11,942	400	7,915	(7,515)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>1,823,594</u>	 <u>1,864,908</u>	 <u>1,828,285</u>	 <u>36,623</u>
 REVENUES OVER (UNDER) EXPENDITURES	 <u>(10,296)</u>	 <u>58,446</u>	 <u>118,495</u>	 <u>60,049</u>
 OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(18,750)</u>	<u>(19,270)</u>	<u>(24,326)</u>	<u>(5,056)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(18,750)</u>	 <u>(19,270)</u>	 <u>(24,326)</u>	 <u>(5,056)</u>
 REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>(29,046)</u>	 <u>39,176</u>	 <u>94,169</u>	 <u>54,993</u>
 FUND BALANCES, BEGINNING OF YEAR	 <u>251,631</u>	 <u>440,152</u>	 <u>440,152</u>	 <u>-</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 222,585</u>	 <u>\$ 479,328</u>	 <u>\$ 534,321</u>	 <u>\$ 54,993</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	BUDGETED AMOUNT			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
<u>REVENUES</u>				
LOCAL SOURCES				
Taxes and Penalties	\$ 600,000	\$ 607,022	\$ 602,743	\$ (4,279)
Interest Income	2,500	11,000	8,502	(2,498)
Miscellaneous Income	7,500	26,000	41,045	15,045
Incoming Transfers ISD	10,500	10,779	12,681	1,902
TOTAL LOCAL SOURCES	620,500	654,801	664,971	10,170
STATE SOURCES				
Categorical State Aid	1,113,212	1,191,723	1,192,961	1,238
Incoming Transfers ISD	-	-	10,649	10,649
TOTAL STATE SOURCES	1,113,212	1,191,723	1,203,610	11,887
FEDERAL SOURCES				
Title I	48,284	48,284	46,815	(1,469)
Title II A	13,414	12,908	12,908	-
Title V	1,989	838	838	-
Title II D	1,227	496	496	-
Other	-	-	381	381
REAP Grant	14,672	14,304	16,358	2,054
Incoming Transfers ISD & Other	-	-	403	403
TOTAL FEDERAL SOURCES	79,586	76,830	78,199	1,369
TOTAL REVENUE	\$ 1,813,298	\$ 1,923,354	\$ 1,946,780	\$ 23,426
<u>EXPENDITURES</u>				
INSTRUCTION				
Basic Programs:				
Elementary	\$ 478,796	\$ 421,992	\$ 393,585	\$ 28,407
Secondary	456,743	472,436	485,132	(12,696)
Preschool	-	65,565	68,150	(2,585)
Total Basic Programs	935,539	959,993	946,867	13,126
Added Needs:				
Special Education	90,350	64,949	62,038	2,911
Title I	48,284	48,284	46,815	1,469
Title II A	13,414	12,908	12,908	-
At Risk	56,000	62,812	63,037	(225)
Other	17,888	15,638	17,155	(1,517)
Total Added Needs	225,936	204,591	201,953	2,638

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INSTRUCTION (CONTINUED)				
Other - Capital Outlay:	\$ -	\$ 39,000	\$ 48,016	\$ (9,016)
TOTAL INSTRUCTION	1,161,475	1,203,584	1,196,836	6,748
SUPPORTING SERVICES				
Instructional Staff:				
Library	<u>7,890</u>	<u>16,700</u>	<u>13,835</u>	<u>2,865</u>
Total Instructional Staff	<u>7,890</u>	<u>16,700</u>	<u>13,835</u>	<u>2,865</u>
General Administration:				
Board of Education	49,570	47,800	43,614	4,186
Executive Administration	<u>245,217</u>	<u>231,717</u>	<u>242,268</u>	<u>(10,551)</u>
Total General Administration	294,787	279,517	285,882	(6,365)
Business Office	61,100	61,100	49,617	11,483
Plant Operation and Maintenance	207,150	207,950	190,258	17,692
Pupil Transportation	79,250	95,657	83,942	11,715
Principal	7,942	-	7,600	(7,600)
Interest	4,000	400	315	85
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORTING SERVICES	<u>662,119</u>	<u>661,324</u>	<u>631,449</u>	<u>29,875</u>
OUTGOING TRANSFERS				
Food Service Fund	-	-	-	-
Athletics Fund	<u>19,150</u>	<u>24,090</u>	<u>24,326</u>	<u>(236)</u>
TOTAL OUTGOING TRANSFERS	<u>19,150</u>	<u>24,090</u>	<u>24,326</u>	<u>(236)</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>\$ 1,842,744</u>	<u>\$ 1,888,998</u>	<u>\$ 1,852,611</u>	<u>\$ 36,387</u>

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

**ALBA PUBLIC SCHOOL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>ATHLETIC</u>	<u>FOOD SERVICE</u>	<u>SINKING</u>	<u>TOTAL</u>
ASSETS				
Cash	\$ -	\$ 21,788	\$ 26,187	\$ 47,975
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Inventory	-	2,268	-	2,268
Due From Other Funds	-	-	1,785	1,785
Due From Other Governmental Units	-	787	-	787
	<u>-</u>	<u>787</u>	<u>-</u>	<u>787</u>
 TOTAL ASSETS	 \$ -	 \$ 24,843	 \$ 27,972	 \$ 52,815
 LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-
Due to Other Funds	-	-	49,500	49,500
Due to Other Governmental Units	-	-	-	-
Advances From Other Governmental Units	-	-	-	-
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 -	 -	 49,500	 49,500
 FUND BALANCE				
Reserved	-	24,843	(21,528)	3,315
Unreserved	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL FUND BALANCES	 -	 24,843	 (21,528)	 3,315
 TOTAL LIABILITIES AND FUND BALANCES	 \$ -	 \$ 24,843	 \$ 27,972	 \$ 52,815

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>ATHLETIC</u>	<u>FOOD SERVICE</u>	<u>SINKING</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 4,960	\$ 23,362	\$ 27,759	\$ 56,081
Interest	-	-	213	213
State Sources	-	7,863	-	7,863
Federal Sources	-	81,053	-	81,053
	<u>4,960</u>	<u>112,278</u>	<u>27,972</u>	<u>145,210</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Athletics	29,286	-	-	29,286
Food Service	-	104,678	-	104,678
Other	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	15,750	15,750
	<u>29,286</u>	<u>104,678</u>	<u>15,750</u>	<u>149,714</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	(24,326)	7,600	12,222	(4,504)
OTHER FINANCING SOURCES (USES)				
Transfers In	24,326	-	-	24,326
Transfers (Out)	-	-	-	-
	<u>24,326</u>	<u>-</u>	<u>-</u>	<u>24,326</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>24,326</u>	<u>-</u>	<u>-</u>	<u>24,326</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	7,600	12,222	19,822
FUND BALANCES, BEGINNING OF YEAR as restated (see note 10)	-	17,243	(33,750)	(16,507)
FUND BALANCES, END OF YEAR	\$ -	\$ 24,843	\$ (21,528)	\$ 3,315

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2007**

2007 REFUNDING BONDS

<u>Year Ended</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	3.75%	\$ 96,601	\$ 96,601
2009	-	3.75%	88,716	88,716
2010	110,000	3.75%	88,715	198,715
2011	120,000	3.75%	84,590	204,590
2012	125,000	3.75%	80,090	205,090
2013	130,000	3.75%	75,403	205,403
2014	135,000	3.75%	70,528	205,528
2015	140,000	3.75%	65,465	205,465
2016	150,000	3.80%	60,215	210,215
2017	150,000	3.80%	54,515	204,515
2018	160,000	3.80%	48,815	208,815
2019	165,000	3.85%	42,735	207,735
2020	170,000	3.85%	36,383	206,383
2021	180,000	3.90%	29,838	209,838
2022	185,000	3.90%	22,818	207,818
2023	195,000	3.95%	15,602	210,602
2024	<u>200,000</u>	3.95%	<u>7,900</u>	<u>207,900</u>
	<u>\$ 2,315,000</u>		<u>\$ 968,929</u>	<u>\$ 3,283,929</u>

1998 BONDS

<u>Year Ended</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2008	100,000	4.40%	9,020	109,020
2009	<u>105,000</u>	4.40%	<u>4,620</u>	<u>109,620</u>
Total	<u>\$ 205,000</u>		<u>\$ 13,640</u>	<u>\$ 218,640</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 22, 2007

Board of Education
Alba Public School
Alba, Michigan 49611

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2007, which collectively comprise the Alba Public School's basic financial statements and have issued my report thereon dated August 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Alba Public School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Alba Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Alba Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Alba Public School's financial statements that is more than inconsequential will not be prevented or detected by Alba Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Alba Public School's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alba Public School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain immaterial instances of noncompliance that I have reported to management of Alba Public School in a separate letter dated August 22, 2007.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, pass-through entities, the Michigan Department of Education, and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." in a cursive style.

Thomas R. Zick CPA, P.C.
Certified Public Accountant



Thomas R. Zick CPA, P.C.
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FINANCIAL AUDIT COMMENTS

August 22, 2007

Board of Education
Alba Public School
Alba, Michigan 49611

In planning and performing my audit of the general purpose financial statements of Alba Public School, for the year ended June 30, 2007, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I bring to your attention as follows:

WEB SITE POSTING OF BUDGETS

The District did not comply with the revised State statute which requires timely posting of budgets and budget amendments to the District's website.

RECEIPTS JOURNAL

Your computer system requires a receipt to input cash received, but during the fiscal year these receipts were not always timely posted to the ledger. You should assign a unique sequentially numbered receipt for each and every cash receipt item and these numbers should be accounted for and posted to the ledger monthly.

BUDGETS

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue and Debt Retirement Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Secondary	\$ 472,436	\$ 485,132	\$ (12,696)
Preschool	\$ 65,565	\$ 68,150	\$ (2,585)
At Risk	\$ 62,812	\$ 63,037	\$ (225)
Other	\$ 15,638	\$ 17,155	\$ (1,517)
Capital Outlay	\$ 39,000	\$ 48,016	\$ (9,016)
Executive Administration	\$ 231,717	\$ 242,268	\$ (10,551)
Principal	\$ -0-	\$ 7,600	\$ (7,600)
Transfer Out Athletics	\$ 24,090	\$ 24,326	\$ (236)
Special Revenue:			
Athletic	\$ 29,050	\$ 29,286	\$ (236)
Food Service	\$ 93,200	\$ 104,678	\$ (11,478)

OTHER - MISCELLANEOUS

Expenditures charged to grant programs should be coded to the appropriate account throughout the year, rather than waiting until at or near year end to post these amounts with a journal entry.

SEGREGATION OF DUTIES

There is not adequate segregation of duties in the accounting area. One individual posts all journals, the general ledger, prepares checks, makes bank deposits, and reconciles the bank accounts. The same individual also initiates and posts all journal entries. The lack of segregation of duties is inherent because of staff limitations. The Board must recognize that all internal controls must be evaluated for cost effectiveness. The controls which could be added would have to be compared with the costs required to obtain those controls. Presently your superintendent reviews the monthly bank reconciliations which helps mitigate the control weakness. In addition board of Education members sign all disbursement checks providing another control to mitigate the overall lack of segregation of duties in this area.

MATERIAL WEAKNESS

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Alba Public School's internal control.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, I believe none of the matters described above are material weaknesses.

Page 3
August 22, 2007
Board of Education
Alba Public School

I would like to take this opportunity to thank Jeff, Teena, and Gloria for their cooperation during the audit. The record keeping process was excellent and records were maintained in an organized and complete fashion as has been the case in previous years. The fund balance increase, while many districts have recorded substantial deficits, shows the attention this Board and administration has paid to financial management and stability.

This report is intended solely for the information and use of the Alba Public Schools management, Board of Education, the Michigan Departments of Treasury and Education, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Thomas R. Zick, CPA P.C.", written in black ink.

Thomas R. Zick CPA, P.C.
Certified Public Accountant